

**HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2020  
(with memorandum totals for the year ended December 31, 2019)

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	15

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Hudson Valley Agri-business Development Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Valley Agri-business Development Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Hudson Valley Agri-business Development Corporation's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of Hudson Valley Agri-business Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the controls over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hudson Valley Agri-business Development Corporation's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

Hudson, New York  
March 31, 2021

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020**  
**(with memorandum totals as of December 31, 2019)**

	<b>2020</b>	<b>2019</b> (memorandum only)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 62,627	\$ 48,753
Accounts receivable	347,614	303,846
Loan receivable	1,915	-
Prepaid expenses	6,170	4,963
Total current assets	<u>418,326</u>	<u>357,562</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash	65,723	166,667
Fixed assets, net	7,457	4,052
Website development costs, net	11,511	-
Loan receivable, net of current portion	98,085	-
Total non-current assets	<u>182,776</u>	<u>170,719</u>
Total assets	<u><u>\$ 601,102</u></u>	<u><u>\$ 528,281</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 85,850	\$ 16,942
Accrued payroll related liabilities	10,845	7,943
Total current liabilities	<u>96,695</u>	<u>24,885</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	166,667	166,667
Total long-term liabilities	<u>166,667</u>	<u>166,667</u>
Total liabilities	<u>263,362</u>	<u>191,552</u>
<b>NET ASSETS</b>		
Without donor restrictions	337,740	326,192
With donor restrictions	-	10,537
Total net assets	<u>337,740</u>	<u>336,729</u>
Total liabilities and net assets	<u><u>\$ 601,102</u></u>	<u><u>\$ 528,281</u></u>

*See notes to financial statements.*

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

(with memorandum totals for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(memorandum only)
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND SUPPORT:</b>				
Regional county contracts	\$ 207,500	\$ -	\$ 207,500	\$ 175,000
Hudson Mohawk RC&D grant	199,847	-	199,847	174,033
Government grants	116,656	-	116,656	208,539
Consulting and grant writing income	198,248	-	198,248	111,093
Releases from restrictions	10,537	(10,537)	-	-
Total revenue	732,788	(10,537)	722,251	668,665
<b>EXPENSES:</b>				
Program services:				
Technical Assistance	251,522	-	251,522	236,368
Access to Capital	143,808	-	143,808	137,605
Food Security	131,508	-	131,508	63,909
Total program services	526,838	-	526,838	437,882
Management and general	139,778	-	139,778	189,060
Fundraising	54,686	-	54,686	32,122
Total expenses	721,302	-	721,302	659,064
Change in net assets from operating activities	11,486	(10,537)	949	9,601
<b>NON-OPERATING ACTIVITIES:</b>				
Interest income	62	-	62	2
Non-operating government grant	-	-	-	40,700
Loss on sale of equipment	-	-	-	(30,780)
Change in net assets from non-operating activities	62	-	62	9,922
Change in net assets	11,548	(10,537)	1,011	19,523
<b>NET ASSETS BEGINNING OF YEAR</b>	326,192	10,537	336,729	317,206
<b>NET ASSETS END OF YEAR</b>	\$ 337,740	\$ -	\$ 337,740	\$ 336,729

See notes to financial statements.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2020  
(with memorandum totals for the year ended December 31, 2019)

	2020							2019
	Program Services				Support Services		Total	(memorandum only)
	Technical Assistance	Access to Capital	Food Security	Total Program	Management and General	Fundraising		
Salaries and wages	\$ 72,532	\$ 57,192	\$ 54,109	\$ 183,833	\$ 67,225	\$ 28,292	\$ 279,350	\$ 275,919
Payroll taxes	5,697	4,258	5,940	15,895	4,421	1,987	22,303	27,355
Pension plan contributions	2,665	2,536	877	6,078	2,205	1,349	9,632	9,632
Employee benefits	6,188	5,286	1,860	13,334	2,716	2,499	18,549	25,390
Accounting fees	-	-	-	-	13,544	-	13,544	11,133
Legal fees	-	-	-	-	10,000	-	10,000	25,154
Payroll processing fees	-	-	-	-	1,635	-	1,635	1,635
Consulting and grant writing	130,787	57,053	44,598	232,438	-	17,590	250,028	220,857
Advertising	-	3,380	14,332	17,712	16,101	-	33,813	9,148
Office expenses	4,854	3,628	5,062	13,544	3,765	1,693	19,002	13,278
Information technology	1,379	1,031	1,438	3,848	2,355	481	6,684	4,533
Occupancy	1,211	886	1,084	3,181	4,185	434	7,800	7,800
Travel	412	263	1,377	2,052	331	83	2,466	13,373
Conferences and meetings	-	7,700	-	7,700	-	-	7,700	911
Depreciation and amortization	797	595	831	2,223	617	278	3,118	2,290
Insurance	-	-	-	-	6,351	-	6,351	4,219
Miscellaneous	-	-	-	-	729	-	729	648
Dues and subscriptions	-	-	-	-	3,598	-	3,598	4,865
Bad debt	25,000	-	-	25,000	-	-	25,000	924
	<u>\$ 251,522</u>	<u>\$ 143,808</u>	<u>\$ 131,508</u>	<u>\$ 526,838</u>	<u>\$ 139,778</u>	<u>\$ 54,686</u>	<u>\$ 721,302</u>	<u>\$ 659,064</u>

See notes to financial statements.

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

(with memorandum totals for the year ended December 31, 2019)

	2020	2019 (memorandum only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,011	\$ 19,523
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	3,118	2,290
Non-operating government grant	-	(40,700)
Loss on sale of equipment	-	30,780
Bad debt	25,000	924
(Increase) decrease in:		
Accounts receivable	(68,768)	(39,771)
Prepaid insurance	(1,207)	(1,955)
(Decrease) increase in:		
Accounts payable	68,908	(19,188)
Deferred revenue	-	(11,275)
Accrued payroll related liabilities	2,902	873
Total adjustments	29,953	(78,022)
Net cash provided by (used for) operating activities	30,964	(58,499)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(6,523)	(42,524)
Purchase of website development	(11,511)	-
Proceeds from sale of equipment	-	29,220
Loan receivable	(100,000)	-
Net cash used for investing activities	(118,034)	(13,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	-	166,667
Non-operating government grant	-	40,700
Net cash provided by financing activities	-	207,367
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(87,070)	135,564
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	215,420	79,856
<b>CASH AND CASH EQUIVALENTS, End of year</b>	\$ 128,350	\$ 215,420
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 62,627	\$ 48,753
Restricted cash	65,723	166,667
Total	\$ 128,350	\$ 215,420

See notes to financial statements.



**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Hudson Valley Agri-business Development Corporation:

The Hudson Valley Agri-business Development Corporation (the “Organization”) was established to assist the Hudson Valley region's existing agricultural producers and processors to promote the expansion of existing farm production, and to promote the conservation and preservation of existing farm lands in the Hudson Valley of New York. The Organization has an office located in Hudson, New York.

The Organization operates the following programs:

**Technical Assistance:** The Organization's technical assistance programs include: Incubator Without Walls (IWW); Farm and Food Funding Accelerator (FFFA); and Hudson Valley Bounty (HVB). These programs are designed to provide analysis and start-up assistance for new ventures and enterprises, market expansion and improved distribution networks for existing agricultural and food businesses. The Organization provides the resources to access technical and professional service providers, project planning and development services, and funding and capital access and feasibility analysis. As needs emerge, the Organization also presents timely topic specific instruction such as its Food Labeling workshop, Making It Happen financial analysis sessions and Local Lamb Lessons series on starting a sheep business. These public programs are open to all interested parties.

**Access to Capital:** In 2018, the Organization was designated as one of eight third party lenders participating in the New York Job Development Authority's (JDA) Agriculture Loan Fund Program. With a focus on the Mid-Hudson and Capital regions, the Organization's loan program issues low interest loans between \$50,000 and \$200,000 to small agribusiness owners.

In addition to the loan opportunity, the Organization is partnering with the Hudson Mohawk Resource Conservation and Development Council, Inc. (HMRC&D) to administer the Grown & Certified (G&C) Producer grant program in the Capital District Region. The G&C producer grants will be awarded for capital projects that will enable qualified agricultural producers to meet food safety standards necessary for participation in the program. Eligible agricultural producers can apply for up to 90% of their total project cost, not to exceed \$50,000.

**Food Security:** The Organization is working on the issue of food security through the FeedHV program. FeedHV is a regional food rescue and gleaning network dedicated to meeting the needs of neighbors while mitigating food waste. Through a web-based and mobile application powered by ChowMatch, FeedHV links food donors of prepared but unserved food and fresh produce (including farms, restaurants, catering services, grocery stores, hospitals, universities and more) to nonprofit organizations with food assistance programs (such as food pantries, soup kitchens and shelters) and a network of volunteers who transport, glean and process donated food.

Farm and Food Growth Fund, Inc.:

On July 31, 2019, Farm and Food Growth Fund, Inc. (FFG Fund) was incorporated in the State of New York as a 501(c)(3) nonprofit organization. FFG Fund shares a majority of common board members with the Organization and is also managed by the same employees of the Organization. FFG Fund had no financial activity during the year ended December 31, 2020.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, Not-for-Profit Entities.

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Prior Year Amounts**

Amounts shown for December 31, 2019 in the accompanying statements are included to provide a basis for comparison with December 31, 2020 and present summarized totals only. Accordingly, the December 31, 2019 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash is long-term in nature and restricted by the lender to be used for the small-business type loans the Organization will be lending to local entities.

**Fixed Assets**

Fixed assets are stated at cost. Expenditures for additions, improvements, and major renewals which extend the life of the asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of fixed assets are included in non-operating activities on the statement of activities.

**Depreciation**

Depreciation is provided for using the straight-line method over the estimated useful lives of the respective fixed assets.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Website Development Costs**

Website development costs are recorded at cost, or if donated, at the estimated fair value at the date of donation. Amortization is recorded using the straight-line method over the estimated useful life of 3 years. Amortization related to the website was \$1,439 for the year ended December 31, 2020. Upgrades and enhancements to the website are capitalized and routine monitoring and maintenance of the website are expensed as incurred.

**Income Taxes**

The Organization is exempt from Federal income taxes as an Organization described in Section 501(c)(6) of the Internal Revenue Code.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization's returns are currently under examination.

During the year ended December 31, 2020, the Organization submitted an application to change from a 501(c)(6) to a 501(c)(3). In February 2021, the IRS approved the Organization's application with an effective date of September 23, 2020. The Organization is now exempt as a (501)(c)(3) as a public charity classified under the IRC code 170(b)(1)(A)(vi).

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

Revenue is primarily generated from the following sources in the form of grants and contributions: county governments (generally enterprise funds whose purpose is economic development); government contracts such as the United States Department of Agriculture (USDA), New York State (NYS), Economic Development Administration (EDA), and Small Business Administration (SBA); and other similar sources.

County governments and/or county public authorities (i.e. enterprise funds) enter into agreements with the Organization that generally cover multi-year periods. The agreements call for scheduled annual payments to the Organization. In order for the Organization to earn the annual funding commitment, the Organization must demonstrate that a commensurate level of effort was incurred during the year to carry out objectives of the agreement. At the end of each annual period, the Organization provides the necessary documentation to the entity, the entity is invoiced and revenue is recorded. At that time, the entity generally acknowledges the validity of the invoice and pays the Organization. Periodically, the entities may advance funds prior to the achievement of program objectives. Funds received in advance are deferred until the program objectives have been met and the necessary expenses have been incurred. Any unspent funds from program objectives not being met could require the Organization to remit some if not all of the advances back to the entity.

Government grants are generally cost reimbursement grants. Therefore, in the period the related expenses are incurred the Organization will draw down the funds and recognize the related revenue.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Revenue Recognition** (Continued)

Revenue is also generated from providing consulting services to organizations which is recognized in the period such services are provided.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

**Concentrations of Credit and Market Risks**

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts receivable, and loan receivables. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution.

The Organization did not exceed the Federal Deposit Insurance Company (FDIC) limit as of December 31, 2020. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

Accounts receivable consist primarily of uncollateralized amounts due from local County public authorities and governments, grants, and customers related to the Organization's consulting and grant writing services. Management believes that the entire balance at December 31, 2020 is collectible and no allowance for doubtful accounts was required.

During the year ended December 31, 2020 the Organization wrote off \$25,000 of accounts receivable from one of its County public authorities. This amount related to revenue recorded during the year ended December 31, 2019. The County public authority was ultimately unable to fund the 2019 commitment and is currently working with the Organization to formalize its future commitment for the year ending December 31, 2021. During the year ended December 31, 2020, the County public authority agreed to pay the Organization \$37,500 for services performed which is included in accounts receivables as of December 31, 2020.

The Organization had two grants that comprised 28% and 20%, respectively of total revenue for the year ended December 31, 2020.

As of December 31, 2020, accounts receivable was comprised of five entities representing 10%, 15%, 14%, 12%, and 14%, respectively.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Concentrations of Credit and Market Risks** (Continued)

The Organization extends credit to eligible small agribusiness borrowers under its loan program. Loans are generally collateralized by a lien on operating assets of the borrower. Loans receivable are considered past due when payment is not received within the period allowed under the terms of the credit agreement. Periodically, management reviews past due receivables and provides for an allowance for loan receivables deemed uncollectible after all reasonable collection efforts have been exhausted. The allowance for doubtful accounts is principally provided in amounts considered to be appropriate, based primarily upon the Organization's past loss experiences and an evaluation of potential losses in the receivables outstanding. Management believes the allowance is adequate to cover future losses. As of December 31, 2020, the loan receivable balance is comprised of one loan balance and no allowance for loan losses.

**Loans Receivable**

Loans receivable are stated at the principal outstanding less allowance for loan loss, if any. Interest is calculated based on the principal outstanding. Loan origination costs are expensed as incurred because they are considered immaterial.

Loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal and interest is delinquent for 90 days or more with deferral agreement in place. Interest income on all loans is recognized only to the extent that interest payments have been received. Accrued interest is not recorded unless considered material to the financial statements.

Allowance for loan loss is maintained at a level which management has determined is adequate to absorb credit losses inherent in the loan portfolio. Actual allowances for impaired loans are determined based on a discounted cash flow or market valuation. It is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased by a provision for loan losses, which is charged to bad debt expense and reduced by charge-offs, net of recoveries.

**Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Interest income earned on the Organization's loans receivable are considered operating income. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Interest expense related to the Organization's long-term debt is considered a non-operating expense.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Payroll taxes and benefits	Time and Effort
Pension plan contributions	Time and Effort
Office expenses	Full Time Equivalent
Information technology	Full Time Equivalent
Occupancy	Square Footage
Travel	Time and Effort
Depreciation	Full Time Equivalent

**Risks and Uncertainties**

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The effects of the pandemic resulted in a 20% (\$5,000) decrease in funding from one of the Organization’s county contracts.

The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization’s finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Organization’s activities, results of operations, financial condition and cash flow.

**Subsequent Events**

Subsequent events have been evaluated through March 31, 2021 which is the date the financial statements were available to be issued.

On February 10, 2021, the Organization received a loan in the amount of \$54,784 as its first draw from the Small Business Administration’s (SBA) Paycheck Protection Program (the “Program”). The loan is subject to forgiveness and the Organization expects to achieve substantial if not full forgiveness under the Program for this loan in the year ending December 31, 2021.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 2 – LOAN RECEIVABLE**

Loan receivable as of December 31, 2020 consists of a \$100,000 loan given to an eligible small agribusiness on November 1, 2020. The loan has a term of 5 years and matures on November 1, 2025. The loan recipient will be charged interest on the loan principal beginning December 1, 2020 with the interest set at the Wall Street Journal Prime Rate ("Prime Rate") plus 100 basis points (4.25% as of December 31, 2020). This interest rate is subject to change on a quarterly basis based on the prevailing Prime Rate at each quarter-end and will at no time during the life of the loan go below 4.25% per annum. Payments of principal and interest are set to be received beginning November 1, 2021. The loan is collateralized by a secondary lien on the recipient's operating assets.

**NOTE 3 – FIXED ASSETS**

A summary of fixed assets is as follows as of December 31, 2020:

		<u>Useful Life</u>
Computers	\$ 11,609	5 years
Furniture	550	5 years
Accumulated depreciation	<u>(4,702)</u>	
	<u>\$ 7,457</u>	

Depreciation expense for the year ended December 31, 2020 was \$1,679.

**NOTE 4 – LEASE COMMITMENTS**

The Organization leases office space in Hudson, New York on a month to month basis. Rental expense for the year ended December 31, 2020 was \$7,800 and is included as "Occupancy" on the statement of functional expenses.

**NOTE 5 – PENSION PLAN**

The Organization has a simplified employee pension IRA (SEP IRA) pension plan. The Organization contributes 5% of eligible employee's gross wages each year. For the year ended December 31, 2020, the Organization incurred \$9,632 in pension expense which is included as "pension plan contributions" on the statement of functional expenses.

**NOTE 6 – LONG-TERM DEBT**

On December 20, 2019, the Organization entered into an agreement with New York State Empire State Development (NYS ESD) on a \$500,000, 10-year note to be used for loans to eligible small agribusinesses. The Organization will receive advances on the note in three (3) equal installments over the course of the first two years of the note. The Organization will not pay or accrue any interest nor pay any principal on the advanced balances for the first year of the note. Commencing on the first anniversary date of the note, the Organization began to accrue interest of 1% per annum on the unpaid principal balance of the note payable in semi-annual installments on June 30<sup>th</sup> and December 31<sup>st</sup> of each year, beginning with the fiscal year ending December 31, 2021. Principal payments equal to 33.33% of the principal balance outstanding shall commence on the fifth anniversary date of the note and will be paid on the seventh and tenth anniversary dates of the note, with a lump sum payment of unpaid principal and interest due on the tenth anniversary date of the note. This note is subject to a five-year extension after the maturity date at NYS ESD's sole discretion, provided the Organization is not in default on the note before the tenth anniversary date. Funds are to be used solely to provide loans to qualified entities.

As of December 31, 2020, the Organization has only received the first advance of \$166,667 on this note. During the year ended December 31, 2020, the Organization lent \$100,000 to an eligible small agribusiness (see Note 2).

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2020, the Organization had no net assets with donor restrictions.

Donor restricted net assets released from restriction during the year ended December 31, 2020 consisted of the following:

**Subject to expenditure for specified purpose:**

CDFI - Technical Assistance	<u>\$ 10,537</u>
Total net assets with donor restrictions	<u><u>\$ 10,537</u></u>

**NOTE 8 – LIQUIDITY**

The Organization's financial assets available within one year of December 31, 2020 for general expenditure are as follows:

Current financial assets at year-end:

Cash and cash equivalents	\$ 62,627
Accounts receivable	347,614
Loan receivable	<u>1,915</u>
Total financial assets	<u><u>\$ 412,156</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hudson Valley Agri-business Development Corporation:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 31, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Hudson Valley Agri-business Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hudson Valley Agri-business Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Hudson Valley Agri-business Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

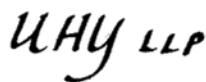
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Hudson Valley Agri-business Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink. The letters 'UHY' are written in a large, stylized, cursive font, and 'LLP' is written in a smaller, simpler font to the right of 'UHY'.

Hudson, New York  
March 31, 2021